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## **OLR Bill Analysis**

### **HB 5456**

#### ***AN ACT CONCERNING THE DEPARTMENT OF BANKING.***

#### **SUMMARY:**

This bill extends the application of Connecticut's banking laws to business and industrial development corporations (BIDCO). These are nondepository financial institutions approved or seeking approval from the federal Small Business Administration (SBA) to act as participating lenders under SBA's loan guarantee program. By law, BIDCOs must be licensed by the banking commissioner. The bill makes BIDCOs subject to the provisions of the state's banking laws and its penalties.

The bill also repeals definitions in the banking law that incorporate by reference terms that are defined in other provisions of state statutes. By doing so, some of the repealed terms appear in certain sections of the banking statutes without corresponding definitions. For example, the term "periodic statement" is used in CGS § 36a-304, but it is not defined for purpose of that section.

EFFECTIVE DATE: October 1, 2013

#### **BACKGROUND**

##### ***U.S. Small Business Administration (SBA) Loan Guarantee Program***

SBA's loan guarantee program increases the amount of capital available to small businesses by shifting some of the risk from lenders to the SBA, thus giving lenders an incentive to offer loans that they would not otherwise make. SBA's loan guarantee program is designed for start-up and existing small businesses and guarantees financing for a variety of general business purposes. The program guarantees loans with up to 10-year terms for working capital and generally up to 25 years for fixed assets.

**COMMITTEE ACTION**

Banks Committee

Joint Favorable

Yea 15      Nay 2      (03/14/2013)